

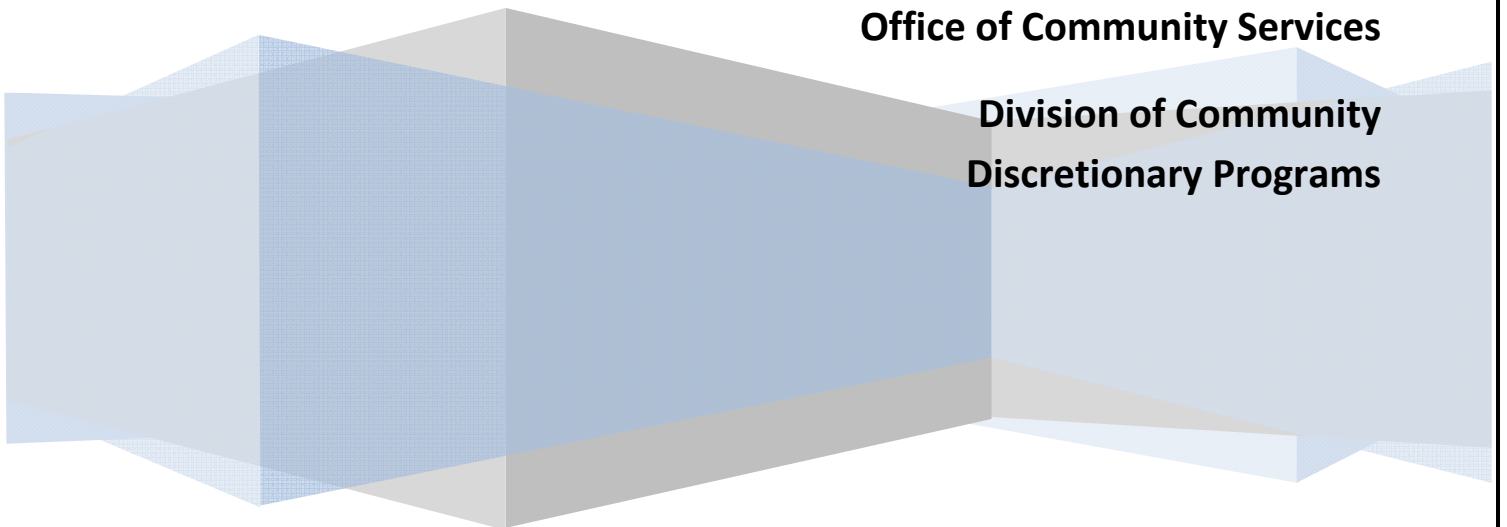
Economic Development Assistance Consortium
Boston, Massachusetts ■ *Prepared by Marcus Weiss*

MARKET STUDY CONSIDERATIONS FOR OCS-FUNDED PROJECTS

**US Department of Health and
Human Services**

Office of Community Services

**Division of Community
Discretionary Programs**



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MARKET STUDY CONSIDERATIONS FOR PROJECTS FUNDED THROUGH CED AND JOLI

INTRODUCTION

This review is intended to elaborate on themes covered at training symposia for grantees of the Community Economic Development (CED) and Job Opportunities for Low-Income Individuals (JOLI) programs of the Office of Community Services (OCS) of the U.S. Department of Health and Human Services (HHS). Its focus pertains to market analyses conducted for business plans for specific job-creation ventures in areas impacted by high unemployment and related economic development challenges. It is not intended to analyze techniques for the general promotion of neighborhood commercial corridors. Nevertheless, a number of the tools and resources depicted in this review may prove helpful to community development entities seeking to revitalize retail nodes and commercial facilities as they work to enhance neighborhood economies. Community development organizations may want to revisit a number of these items during various phases of project implementation.

Handbooks for Community Economic Development Organizations Seeking Financing for New Initiatives

One particularly useful tool is entitled the Community Economic Development Handbook: Strategies and Tools to Revitalize Your Neighborhood. It was authored by Mihailo “Mike” Temali and published by the Amherst H. Wilder Foundation. (www.wilder.org/pubs)

A second indispensable publication is entitled Commercial Revitalization Planning Guide: A Tool Kit for Community Based Organizations. It is available from the Local Initiatives Support Corporation (LISC) and was authored by Rick Jacobus and Maureen Hickey in collaboration with staff from the LISC Center for Commercial Revitalization. (www.lisc.org)

Also of value in planning retail corridor revitalization are articles, handbooks, monographs and webinars produced by the International Council of Shopping Centers (ICSC), including several webinars in collaboration with the Local Initiatives Support Corporation (LISC) — “Experts Online.” Pertinent analyses are frequently assembled by the Brookings Institution’s Metropolitan Policy Program, the Fannie Mae Foundation (Knowledgeplex.org), the Initiative for Competitive Inner Cities (ICIC), the Urban Institute and the Urban Land Institute. Various university initiatives are also proving to be valuable resources for community-based development organizations nurturing the

growth of entrepreneurial efforts in commercial settings. Industry trends regularly published by Standard and Poor's are also available in many library business sections.

Resources on Purchasing Power

- Page 5 of this guide provides a chart pertaining to purchasing power and workforce density data
- Exposing Urban Legends: The Real Purchasing Power of Central City Neighborhoods (2001), John Pawasarat and Lois M. Quinn, University of Wisconsin-Milwaukee Employment and Training Institute
- Using Information Resources to Enhance Urban Markets (2005), Robert Weissbourd and Ricardo Bodini, R.W. Ventures, LLC, for the Brookings Institute Metropolitan Policy Program
- Market Potential of Inner City Neighborhoods (1999), Robert Weissbourd and Christopher Berry, Shorebank Corporation

Numerous other trade associations, intermediaries and national advocacy organizations similarly have focused on catalyzing economic development in urban and rural neighborhoods. These range from Living Cities (www.livingcities.org) to the U.S. Conference of Mayors (www.usmayors.org) and the National League of Cities (www.nlc.org). Federal agencies and the community development divisions of the regional Federal Reserve banks are also important resources for helpful materials on strategies and techniques to enhance business development in targeted communities.

Financing commercial revitalization endeavors often requires the preparation of grant applications and related business plans for specific ventures to be capitalized by the Office of Community Services (OCS) and other government agencies. Completing a market study that demonstrates the likely viability of a proposed project typically requires two primary components:

- 1) A thorough review of the proposed positioning of a product or service business
- 2) Market research demonstrating that a potential customer base is capable of generating sales and profit conducive to long-term sustainability

An effective market analysis should include the following components:

- Description of the business
- Analysis of industry and trends
- Area description and siting considerations
- Market research

A breakdown of what should be included in each of these sections is provided below.

DESCRIPTION OF THE BUSINESS

Products/Services

The goal for OCS projects is to create businesses, including commercial real estate facilities, that will generate employment opportunities for low-income individuals. Whether depicting a real estate endeavor or the establishment of a business enterprise, it is important to adequately describe the types of products and services that will be produced by the new venture. In the case of an entrepreneurship, this involves the products or services developed by the individual business. In the case of a larger facility with multiple storefronts, this involves the products or services that may be offered by anticipated commercial tenants. The unique features of the products or services should also be covered in this category.

Proprietary Position

A market study should also discuss any unique advantages held by the commercial endeavor that are expected to draw customers. For example, if the business will benefit from patents, trademarks or specialty products that will represent an advantage over comparable ventures in the area, it is productive to describe how these elements will enhance the success of the undertaking.

Two CDCs in the midwest have recently nurtured ventures using proprietary technology and equipment to penetrate expanding “green” markets. One current OCS grantee, Northwest Side Community Development Corporation, has funded NatureTech in Milwaukee, which turns recycled newspapers into cellulose fiber insulation treated with a unique patent pending fire retardant. PPL Industries, which operates an OCS-funded

At a Glance: Three Types of Market Research

It is beneficial to identify who lives and shops in your district, what they shop for, how much they spend, what types of stores could be successful in your neighborhood, and who competes for customers. Three levels of market research are summarized below.

1. **Shoe-leather research** – talking to local residents, local business owners and business owners from outside your community to learn what is needed and what might work in your district. Information gained directly from local decision makers and from direct observation is the most useful of all market research and should be done first.
2. **Do-it-yourself research** – finding basic demographic information and trends about your district at the library or on the Internet. This information may point to certain types of businesses that are badly needed in your community, or to certain opportunities to draw customers from outside your neighborhood.
3. **Professional market research** – paying a firm to look up and analyze national, regional and local market research. Such firms analyze market data, and they usually have proprietary information to enrich the data.

Source: “The Community Economic Development Handbook” by Mihailo Temali, Wilder Foundation, 2002. [Reprinted with permission]

manufacturing incubator in Minneapolis, uses a specially designed \$110,000 machine to powerfully compress recycled mattress springs into steel bales for private industry, relieving landfills of problematic, space-consuming mattresses. These are two examples from a number of community development corporation (CDC) initiatives that are models for replication for communities addressing energy and environmental concerns and opportunities for timely, new job creating ventures.

ANALYSIS OF INDUSTRY AND TRENDS

In this section, provide data about the positioning of the venture's product or service in the context of local, national and global markets, where relevant. If the proposal involves the development of commercial real estate, it is important to analyze trends regarding vacancy rates, cost per square foot and the implications of costs for maintaining the premises. Within this section, it may also be useful to provide evidence of two key characteristics of the targeted area: First, that the market can sustain the new business being proposed, and second, that a sufficient customer base exists.

AREA DESCRIPTION AND SITING CONSIDERATION

Location dynamics are important to assess in order to demonstrate that the site is capable of drawing customers or accommodating product distribution requirements. Whether customers are coming to the site itself or ordering products or services from a distance, it is essential to demonstrate access to highway links, rail or mass transit, secure parking and pedestrian walkways. Such an analysis will often include traffic counts on the thoroughfare where the venture is located.

This section should also address visual access to the site, pertinent signage, and general and specific characteristics of the area. If the area has been associated with concerns about crime and safety, those issues should be addressed in the business plan. In some instances, the location of a police substation or other security resources can neutralize concerns about threatening activities in the area. "Softer" approaches, however, may prove more even effective than building near a police station in the longer term. These so-called "softer" approaches may include developing of well-lit and highly visible pedestrian pathways to attract active shopper traffic and including architectural features that allow extensive sightlines to observe open spaces and entranceways.

MARKET RESEARCH

Review of Planning Documents and Prior Studies

Your business plan should demonstrate that you have analyzed public documents focusing on the anticipated growth (or constraints to growth) of the area through approaches such as strategic planning studies. These studies, prospective transit or road improvements (which may also pose an interruption for a period of time) and public or private investment scheduled to come to the location can represent enhancements that will help grow a customer base. These studies might come from a non-governmental entity, such as a study by a university planning department or business school; a supportive foundation; or a regulatory entity, such as the Federal Reserve Bank of Philadelphia, which developed a series of community profiles for cities and neighborhoods within its service area.

Free Purchasing Power Profiles and Workforce Density Data

The University of Wisconsin-Milwaukee [Employment and Training Institute \(www4.uwm.edu/eti\)](http://www4.uwm.edu/eti) provides comparison data on purchasing power, business activity, and workforce density for all census tracts, residential ZIP codes, and the 100 largest metro areas in the United States. The profiles are designed to help cities, companies, developers, small business owners and community organizations assess the advantages of urban density for underserved city neighborhoods. These datasets include information on the following:

1. **Purchasing Power by Census Tracts** for custom-made printouts of purchasing power for 16 retail categories and data on the workforce population for any U.S. census tract.
2. **Purchasing Power by ZIP Code** for data on retail expenditures for 16 consumer areas, retail and business establishments, and the available workforce for all residential zip codes in the U.S.
3. **Purchasing Power Rankings for Top 100 Metro Areas** for ZIP code rankings of each of the 16 retail expenditure categories for the 100 largest metro areas.
4. **Free Geographic Databases** for shapefiles and business, household, and workforce census databases to help map your area.
5. **Maps of Purchasing Power for Food-at-Home and Apparel** to download free maps of purchasing power for the top 100 metro areas in the U.S.
6. **Urban Markets Retail Sales Leakage/Surplus Drill Downs** to show the difference between each metro neighborhood's purchasing power and estimated retail sales.
7. **Methodology** for a description of the methodology used for the purchasing power profiles and the retail sales leakage/surplus estimates.

Source: University of Wisconsin-Milwaukee Employment and Training Institute, ETI Purchasing Power and Workforce Density Data - www4.uwm.edu/eti/PurchasingPower/purchasing.htm
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“Drill Downs” vs. Conventional Analyses

In recent years, a diverse range of institutions have played a significant role in facilitating research that went substantially beyond Census data and demographic information from the Census Bureau's American Community Survey

(www.census.gov/acs/www). “Drill Down” studies by LISC MetroEdge (www.metroedge.org/index.html) and Social Compact (www.socialcompact.org) demonstrated purchasing power, residential density and related analyses that were designed to address misconceptions about the alleged limited potential customer base in many core urban markets. The Initiative for a Competitive Inner City (www.icic.org) has also analyzed spending capacity within low-income urban neighborhoods of many of the largest American cities. The International Council of Shopping Centers (www.icsc.org) combined a variety of approaches — including the release of publications, holding symposia at retailer conferences and the generating public/private partnerships — in an effort to inform national retailers and commercial real estate developers that urban neighborhoods represent viable (and potentially profitable) targets for development.

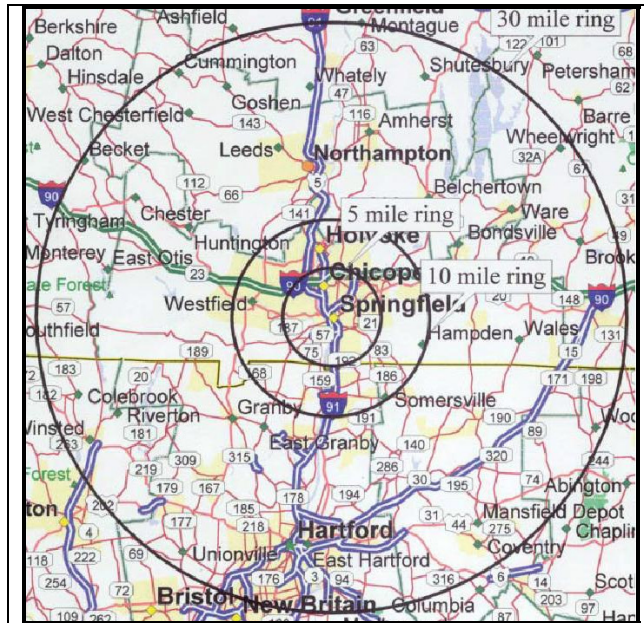
Numerous mayors have seen the issue of attracting prominent retailers to neighborhood settings as critically important to economic revitalization efforts. Accurate data also plays a critical role in impacting a city’s ability to attract and maximize Federal resources such as Community Development Block Grant (CDBG) allocations. Misinformation concerning actual population counts in urban neighborhoods may lead to a reduction of Federal resources (which may be based on population density and need), and may affect the willingness of a prominent retailer to operate in a particular neighborhood. One mayor, Carlton “Carty” Finkbeiner of Toledo, Ohio, successfully challenged the U.S. Census Bureau’s population figures. That challenge led to a revised count for Toledo, reflecting an additional 20,000 residents. Congressional hearings, available on Social Compact’s website (www.socialcompact.org/index.php/site/news/category/in_the_press), provide insight regarding how the 2010 Census will be conducted with a greater sensitivity to accurately assessing the population and demographics affecting urban and rural low-income areas.

Market Size and Trends

Primary vs. Secondary Markets

Various factors influence how the venture will depict its trade area. While a three-mile radius may be practical for certain types of businesses, other businesses may use a half-mile radius to define their primary markets. Surveying potential customers can help establish the appropriate distance for the primary and secondary market areas.. Business proponents can then establish that the sales projections for the primary area will likely generate most of the venture’s revenue, while a smaller but still significant volume of sales may come from customers traveling slightly longer distances from areas denoted as “secondary.” For example, one OCS grantee, Nuestras Raíces, in Holyoke, Mass., recently conducted a market study to establish a customer base for a new venture featuring a popular Puerto Rican concept known as a “lechonera.” The

venture will feature a pig roasting restaurant adjacent to a community cultural facility, which will be located in the heart of extensive acreage offering farming sites to immigrants from Puerto Rico. The restaurant will be the key customer attraction of the



Example of a primary (5 mile) and secondary (10 mile) trade area for an OCS funded, proposed public market for Springfield, Massachusetts.

A third ring (30 mile) illustrates more remote locations from which shoppers may occasionally travel to the public market.

In this feasibility analysis, the consultant reviewed anticipated expenditure patterns based on the Bureau of Labor Statistics' Consumer Expenditure Survey. The primary, downtown market within the 5 mile radius was projected to have a sales potential of \$6.89 million. The secondary market within the 5-10 mile band represented sales potential of \$4.05 million. And the more distant third band of 10-30 miles was suggested as having the capability of generating an additional \$3.02 million in annual sales. The analyst also noted that tourists, while not residing in the target areas, could generate an additional \$1.6 million for the public market location which was well served by major highways and potentially proximate to the Basketball Hall of Fame, a major tourist draw. (This suggested a potential annual sales projection of \$15.63 million for a CDC sponsored public market.)

[Cautionary Note: While tourist sales may often supplement primary and secondary market sales projections, many consultants would warn that a disproportionate emphasis on tourist purchases at a public market can eventually reduce patronage by local customers if merchants deviate from offering fresh food as opposed to pre-packaged items for tourists.]

Nuestra Raíces Farms, which will also feature a farm store and equestrian center creating a family-oriented destination celebrating the rural heritage and mixed cultural experience found frequently throughout the island of Puerto Rico.

Nuestras Raíces retained Utilis Market Research to conduct a market study, and Utilis sampled 300 Hispanic households — half in the immediate vicinity of the project site and 150 in the Hartford, Conn., metro area, 35 miles away. Using random digit dialing technology in geographical areas with high concentrations of Hispanic residents, Utilis assessed the distances families were willing to travel for an authentic lechonera dining experience. The market analysis determined what percentage of potential customers were willing to drive 30 minutes, one hour, and longer time periods. This analysis led the venture to target patrons within a 100-mile radius of the site, which would comprise the secondary market — compared to the concentration of Latinos that would be attracted to the venue from a primary radius within shorter distances (e.g., 20 miles) of largely Hispanic residential areas in western Massachusetts.

Survey activity also included an assessment of complementary activities, such as music and cultural attractions, interest in fresh produce purchases and family interactions with the various types of animals that would be available at gatherings. Such a survey can also predict the amount of money a typical family might spend on a comparable outing (e.g., a trip to an amusement park) after traveling a given distance.

Drive-time analyses should typically inform the development of concentric circles demonstrating the primary market area versus the secondary market area boundaries. In some cases, geographic barriers such as rivers, railway lines, major highways, etc., may lead to an irregularly shaped market area.

While a drive-time analysis is a useful tool for defining the likely customer base for certain projects, it may not be necessary for a non-retail project (e.g., a manufacturing facility or incubator).

Sample Customer Base/Demographics

Assessing essential demographics is a key component to establishing the market size. Demographics to consider include the following:

- Potential shopper volumes
- Median household size
- Median household income
- Percentage of homes that are owned vs. rented

Residential characteristics should be described using a one-, two- or three-mile radius from the project site, unless a more extended distance is suggested by the primary and secondary market areas targeted for certain ventures, such as a public market or other “destination” location.

Analyzing the spending power of a potential customer base is also essential for most ventures. This analysis may include:

- Written and/or telephone surveys to determine willingness to spend a particular amount during a purchasing visit.
- Research to determine typical amounts spent for various types of products or services and purchasing patterns over time.

Analyzing spending potential often entails indexing the estimated local average spent per household for certain products and services, compared to the national average. It is important for market analysts to address aggregate spending in a targeted community, rather than focusing exclusively on average or median household income and spending. This approach is especially important in densely populated low-income areas. While the spending power of a single low-income household may be small, the collective spending potential of a densely populated low-income area is considerably greater. Considering only the average household wouldn't be reflective of the entire market area.

Competition

Retail Supply/Demand/Leakage

A constructive market study must address the likelihood of consumer expenditures for the proposed goods or services. Comparing the demand for a particular good or service to the supply from existing vendors is a critical step in determining whether the customer base is conducive to a profitable business.

Most analyses pay particular attention to projected retail leakage — the extent that community residents are expected to travel outside the neighborhood to purchase the suggested goods or service. The process of analyzing expected resident expenditures should account for:

- Existing supply levels;
- Anticipated demand; and
- Projected leakage.

Evaluating the competition should be a careful and thorough process. Too often, venture proponents will suggest no competition exists for a particular product (e.g., apparel for young children) even though the Yellow Pages, an Internet search, or a walking tour of local dollar stores or big box retailers will indicate that competition is present in the community.

One strategy researchers use is to analyze the retail trade codes via the North American Industry Classification System (NAICS). Analysts have pointed out that relying exclusively on the Bureau of Labor Statistics' annual Consumer Expenditure Survey (www.bls.gov/cex) can lead to unreliable assumptions. The households included in the survey sample are drawn from rural areas and urban areas of varying sizes. Households are characterized by age, race, household tenure (owner/renter), region of the country, and urban/rural. Each characteristic is weighted according to its expected impact on expenditures. Consumer expenditure estimates for a given area are based upon the expenditures of sample households that have the same characteristics as the households in the area being evaluated. As with any inferential statistics, the true population characteristics may deviate from those of the sample. Please see the thoughtful discussion on this topic in the aforementioned LISC Commercial Revitalization Planning Guide (www.lisc.org/content/publications/detail/6100), which

Understanding the Competition

- Determine the level of demand for the good or service proposed
- Determine the supply level produced by existing businesses
- Compare supply and demand — Is the demand level satisfied by existing vendors?

notes that expenditures with online retailers can change assumptions regarding certain neighborhoods as a result of overstated online purchasing estimates.

The LISC guidebook may also be a useful resource pertaining to elaboration concerning net worth profiles, retail market potential analyses and information concerning local housing conditions. A list of potential data sources about such topics is included at the end of this review.

[Please see the Appendices for excerpts from the LISC Guidebook regarding resource organizations and tools for hiring a market analysis consultant.]

Sample Consumer Survey Topics

Consumer surveys are a useful tool for determining such information as:

- Existing trade area
- Current demographics (*age, gender, ethnicity, household income, presence of children, education level, occupation, primary language, housing tenure*)
- Consumption preferences: (*chain stores vs. independent retail outlets, specific types of retail that people would like to see in the neighborhood*)
- Frequency of visits to the district
- Time of visits (*day of the week and hours*)
- Point of origin for shopping in the district (*home, work, child care, school, tourist*)
- Which features consumers value in retail districts (*cleanliness, lighting, public open space, active façades, public art/murals, police presence, gathering space*)
- Where else people shop and why
- Access to district (*drive, walk, bike, public transit*)
- Need for parking
- Specific stores visited
- Amount spent per visit
- Interest in special events
- Perceptions of the district (*safety, cleanliness, availability/quality of goods and services*)
- Interest in participating in revitalization planning activities

Source: “Commercial Revitalization Planning Guide: A Toolkit for Community Based Organizations”, produced by Local Initiatives Support Corporation and authored by Rick Jacobus and Maureen Hickey, with LISC Center for Commercial Revitalization. [Reprinted with permission]

Estimated Sales

Potential Aggregate

Depending on the type of venture — which, for instance, may range from a retail business proposal to a public market or to an incubator focused on “green” businesses — estimating potential aggregate sales (“total” or gathered in a whole) is critical where

neighborhoods with high density of populations are an important factor in a business locational decision. In most cases in which the venture is based on a retail endeavor rather than service or manufacturing, the project proponent will also want to depict square footage or anticipated sales per square. Estimated sales on a per-square-foot basis and in other forms can be obtained from the Urban Land Institute via a CD entitled "[Dollars and Cents of Shopping Centers](#)." Ultimately, the neighborhood's density and availability of disposable income to purchase the suggested product or service will allow the analysis to project sales volumes that may be achievable given other analyzed factors. These may cover productive marketing, products/service positioning, management capability and related business factors covered in other sections of the Business Plan.

Market Share and Capture Ratio

It is important to conduct a realistic analysis of the projected expenditures by the identified customer base. That analysis may account for anticipated capture ratio, which is often reflected as the percentage of sales the venture will generate from the targeted market versus sales likely to go to competitors. Unique approaches to advertising, loyalty programs, community-oriented social initiatives, and similar public relations initiatives might suggest a feature of the venture with unique appeal to segments of the community attracted to cultural celebrations, specialty ethnic cuisine, products reminiscent of the old country, etc. To the extent that the venture will promote these elements, a business proponent may want to elaborate in the market share analysis on how such marketing may generate additional sales beyond traditional expenditure patterns.

KEY SUPPLEMENTAL PERSPECTIVES

Community Priorities

The unique preferences, characteristics, and demographics of a community impact the types of businesses that succeed and the type that fail. Community development advocates appreciate that a venture's success requires a thoughtful consideration of a community-based perspective (similarly, the banker's view of a submitted market study will also impact considerations of underwriting and structuring finance terms.) Presumably, the community's "wish list" has been evaluated (in previous CDC planning sessions or other forms of community outreach) with respect to the location and prioritization of the particular type of venture being promoted. Whether a public market, grocery store or a green tech incubator is being proposed, the suitability of the neighborhood location and impact on local residents will be factors in promoting the business's marketability.

Ralph Lippman, Director of the California Community Economic Development Association (CCEDA), regularly trains organizations, including OCS grantees, in analyzing projects, siting and customer draw potential from a neighborhood-based perspective. These considerations not only constitute good developmental practices, but they directly impact the durability of the undertaking. When considering outcomes, it is necessary to consider the public perception of the proposed location and venture. The public must perceive that the project is capable of generating two key elements within the community:

- Job creation for local residents
- A catalytic effect in spurring community revitalization investments

In drawing conclusions from the market study, Ralph Lippman regularly urges project proponents to project how market- and customer-draw information will generate a positive indication demonstrating adequate capture of anticipated consumer expenditures. These become essential considerations when attempting to reduce cost burdens by supplementing traditional loans with more patient capital from investors or government and philanthropic funders.

Banker Perspectives

Glenn Sanada, Director of Programs at CCEDA, spent a number of years coordinating community development lending for Bank of America. In his training, Sanada often reviews why banker considerations are important for community development advocates to assess. Thoroughly prepared market studies will be a valuable asset regarding financing negotiations. Factors uncovered in well-prepared studies will allow a banker to address risk mitigation and financing structure issues.

When evaluating community development lending issues, credit enhancements that provide ancillary support are often an important consideration for a lender. Transaction costs can be reduced where debt is subordinated, technical assistance is ongoing and the development organization has a reliable source of operating capital. Presumably, a commercial real estate endeavor will present a different set of informational findings than the underwriting of a housing undertaking. As a result, the size, terms and imposed conditions of the loan will differ from housing initiatives. Similarly, the willingness of the lender to do construction versus permanent financing for an appropriate number of years will frequently be affected by the market study. Also of importance will be the type of real estate use as well as the type of tenant class being pursued.

Bankers may have different levels of enthusiasm for a mixed-use project with substantial resident occupancy above which can enhance consumer support for ground floor retail. If the real estate involves a commercial strip rather than a large/small stand-alone building, it may be more or less preferable to certain lenders. Some lenders will

have a bias toward national chain operations or local ownership of a franchise business. Mom and pop stores as well as new start-ups may find a more hospitable lender at a community development finance institution than some larger banking institutions which remain resistant to certain types of entrepreneur categories.

Ultimately, community development venture proponents will make decisions about community needs and desires. In some cases, chains may be attractive in certain retail or service business contexts. In other cases, neighborhood residents and supportive organizations may conclude that unique, one-of-a-kind businesses (perhaps appealing to targeted ethnic groups or other forms of consumer constituencies) will create an authentic commercial environment that will prove to be capable of drawing customers in a sustained manner. Market studies thoroughly and sensitively completed may prove to be a tool which may contribute to the viability of the venture and the surrounding neighborhood as well.

CONCLUSION

The proposed positioning of a retail product, service business or commercial real estate undertaking requires the development of a well-prepared market study. In the community economic development context, a reliance on conventional considerations of trends, siting approaches, primary versus secondary market demographics and boundaries may prove insufficient. CDC practitioners often can supplement traditional data with innovative “drill downs” and other techniques. These informational resources can combat stereotypical attitudes regarding neighborhood commercial areas or the consumer purchasing patterns and potential of low- and moderate-income residents.

The leakage of sales to other areas may be affected by factors other than just demand and supply. In some cases, non-resident owners of businesses may have developed a reputation as exploitive regarding pricing or product quality. In other instances, a retail setting’s history of being impacted by violent altercations may have inspired some chain operators to close or flee to more remote suburban locales. Similarly, customers of core, urban neighborhoods may have found traveling greater distances enhances the value of their shopping dollar.

Gradually, financial resource providers have learned that businesses may thrive in targeted communities if the suitability of neighborhood locations, marketing, management and analyses of the impact on local residents are well developed. To profitably serve a demonstrated customer base and attract capital, proposed ventures must benefit from thorough research, planning and design. It is anticipated that access to new tools and resources will enhance the viability of business plans for community economic development endeavors.

Appendix A: Resource Organizations and Web Sites

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GENERAL PLANNING AND COMMERCIAL REVITALIZATION RESOURCES

- **KnowledgePlex**

www.knowledgeplex.org

KnowledgePlex is an information portal for affordable housing and community development practitioners. It provides free access to an impressive array of research publications, discussion forums, calendars of practitioner events and up-to-date news on relevant topics.

- **National Community Reinvestment Coalition (NCRC)**

www.ncrc.org

NCRC is a membership organization of community leaders and organizations working to increase the flow of private capital into traditionally underserved communities. NCRC furnishes tools to help build community capital and individual net worth. The website provides access to useful research and publications, tools for small business development and a calendar of events and workshops on related topics.

- **National Trust for Historic Preservation – National Main Street Center**

www.preservationnation.org/main-street/

The National Trust for Historic Preservation has been developing and promoting its signature, comprehensive approach to commercial revitalization since the 1970s. Its website provides detailed information about their approach, program, services offered, training and an extensive collection of resources and tools for Main Street revitalization. Some sections of the website are available only to paying members of their network.

- **NeighborWorks America**

www.nw.org

NeighborWorks is a national nonprofit organization created by Congress to provide financial support, technical assistance and training for community-based revitalization efforts. Research, case studies and strategies addressing all aspects of community revitalization and community economic development in particular are available on the website.

- **PolicyLink**

www.policylink.org

PolicyLink is a national nonprofit research, communication, capacity building and advocacy organization addressing issues of economic and social equity. Their resources and publications address many pertinent topics such as equitable development, community organizing and public investment.

- **University of Wisconsin Center for Community Economic Development**

www.uwex.edu/ces/cced

The Center for Community Economic Development has developed many tools and resources to assist community organizations with economic revitalization. The Downtown and Business District Market Analysis guide is particularly useful. The site also furnishes links to many free sources of national demographic and economic data. The archive of their newsletter “Let’s Talk Business” offers access to many useful short articles on retail trends and business strategies.

- **Urban Land Institute**

www.uli.org

ULI is a research and educational organization for real estate professionals. ULI is involved in a variety of initiatives focused on urban redevelopment issues and partnerships with community development organizations through their Urban Revitalization Programs. This website provides access to forums, publications and events which address inner cities’ unique markets and the barriers to development and redevelopment. Many of these projects were undertaken in partnership with LISC.

ECONOMIC DEVELOPMENT AND RETAIL

- **International Council of Shopping Centers (ICSC)**

www.icsc.org

ICSC is the trade association of the shopping center industry. It provides access to publications, directories and statistical data related to retail trends. Much of the site requires paid membership, but some sections are accessible to all users.

- **International Economic Development Council (IEDC)**

www.iedconline.org

IEDC is membership organization for economic development professionals. Their Resource Center contains a consultant database, business site selection data standards and an annotated list of links to small business assistance resources. The site also includes the Economic Developer's Reference Guide, which provides summary and trend information on a number of economic development topics relevant to urban neighborhood districts.

- **Retail Tenant Directory**

www.retailtenants.com

The Retail Tenant Directory is a comprehensive source for information on retailer site and location preferences which may be purchased as a book or database on CD-ROM from this website. A sample directory is available for free download.

- **Retail Traffic**

www.retailtraffic.com

Retail Traffic is an online magazine which reports on retail real estate and retailing trends.

- **Tenant Search**

www.tenantsearch.com

Tenant Search is an online database of retailer site and location preferences. Free access is provided to a demonstration database with a limited number of entries.

DATA SOURCES AND MAPPING

- **American FactFinder**

www.factfinder.census.gov

FactFinder provides access to United States Census Bureau Data Sets including the 1990 and 2000 Census.

- **CommunityWalk**

www.communitywalk.com

CommunityWalk is a free site that allows you to make specific maps of your district based on GoogleMaps images. The simple interface allows the user to categorize addresses by business type and/or search for locations by name or address. This site is an easy way to create cluster maps or map business locations.

- **Consumer Expenditure Survey**

www.bls.gov/cex

The Consumer Expenditure Survey provides consumer data collected by the Bureau of Labor Statistics.

- **DataPlace**

www.dataplace.org

DataPlace, a product of KnowledgePlex, is an extensive and simple-to-use database of housing and demographic data. In addition to assembling a variety of data from multiple sources, DataPlace offers cutting-edge tools that let you display information using charts, profile and even satellite-rendered images and maps. The site also assists you with analyzing, interpreting and applying the information.

- **North American Industry Classification System (NAICS)**

www.census.gov/epcd/www/naics.html

This is an economic dataset which classifies industries by category and specific type, NAICS codes.

- **Purchasing Power and Workforce Density Data Home Page**

www.uwm.edu/Dept/ETI/PurchasingPower/purchasing.htm

The University of Wisconsin-Milwaukee Employment and Training Institute provides comparison data on purchasing power, business activity and workforce density for all census tracts, residential ZIP codes and the 100 largest metro areas in the U.S.

- **United State Census Bureau Maps and Cartographic Resources**

www.census.gov/geo/www/maps/

This site, operated by the Census Bureau, provides access to free maps and GIS files in a diverse array of geographic locations.

MARKET RESEARCH

- **Claritas**

www.claritas.com

Claritas is a private company that sells downloadable demographic and market segmentation reports. These reports offer a quick snapshot of a neighborhood economy.

- **ESRI**

www.esri.com/software/bao

ESRI's Business Analyst Online sells prepackages downloadable market data reports on demographics, consumer spending and businesses specific to your trade area.

- **Initiative for a Competitive Inner City (ICIC)**

www.icic.org

The Initiative for a Competitive Inner City is a national non-profit organization that works to help inner cities meet their economic potential. The website has research articles and resources addressing economic potential of dense inner city neighborhoods.

- **MetroEdge**

www.lisc.org/section/areas/sec1/metroedge

LISC's MetroEdge is a market research firm which provides market reports which combine information from traditional data sets with on-the-ground research. Additionally, MetroEdge staff has specific experience working in urban neighborhood markets and identifying emerging market trends.

- **Social Compact**

www.socialcompact.org

Social Compact is a coalition of business leaders from across the country, who are promoting business investment in lower-income communities for the benefit of current residents. They developed a "drill down" approach to retail market analysis that combines federal data with on-the-ground sources to construct a more accurate picture of local spending power. Social Compact offers consulting and training throughout the country.

SURVEYS

- **GreenBook**

www.greenbook.org

GreenBook provides an extensive database of firms which offer market research services internationally.

- **StatPac Inc**

www.statpac.com/surveys

StatPac furnishes a free downloadable tutorial on how to effectively write, design and analyze surveys.

- **Survey Monkey**

www.surveymonkey.com

Simple, free software for creating online surveys.

CRIME AND SAFETY

- **Community Safety Initiative (CSI)**

www.lisc.org/section/areas/sec1/safety

LISC's Community Safety Initiative (CSI) helps establish partnerships among law enforcement, residents, business owners and members of other neighborhood institutions. CSI provides case studies and partnership profiles of programs across the country that have effectively addressed crime and safety issues in their communities.

- **CPTED Watch**

www.cpted-watch.com

This website provides basic information on Crime Prevention Through Environmental Design (CPTED) as well as areas devoted specifically to its application to retail and parking areas.

- **Crime Reduction Toolkits**

www.crimereduction.gov.uk/toolkits/index.htm

This website provides ideas and activities for deterring criminal activity. The tools are organized by type of crime and location.

FUNDRAISING

- **Catalog of Federal Domestic Assistance**

www.cfda.gov

This is a government source of comprehensive information on federal funding sources. It also provides useful resources such as a step-by-step guide to developing grant proposals.

- **The Foundation Center**

www.foundationcenter.org

The Foundation Center furnishes numerous resources related to project and program fundraising. In addition to educational guides on fundraising, it provides free access to a database of foundations. Subscribers have access to an online database of over 80,000 grant makers.

- **Grants.gov**

www.grants.gov

Grants.gov is a one-stop shop for finding, learning about and applying for federal grants. It offers applications for more than \$400 billion in grants each year – every grant announced by the 26 federal grant-making agencies. The database is searchable by program area, agency, RFP date and keyword.

Appendix B: Suggested Articles, Reports and Publications

- Achugbue, Elsie. *Nontraditional Market Analyses: Dismantling Barriers to Retail Development in Underserved Neighborhoods*. Published by Social Compact, 2006.
http://socialcompact.org/images/uploads/09-2006_Nontraditional_Market_Analyses_ICSC_Review.pdf
- Bendick, Marc, Jr.; Egan, Mary Lou. *Linking Business Development and Community Development in Inner Cities*. Journal of Planning Literature, Vol. 8, No.1, August 1993.
http://www.bendickegan.com/pdf/Linking_Business_Development.pdf
- Brakeman, Mark. *Philadelphia's Commercial Corridors are open for business*. Weekly Press, May 28, 2009. www.weeklypress.com/print_this_story.asp?smenu=1&sdetail=1331
- *Commercial Corridors: A Strategic Investment Framework for Philadelphia*. Econsult Corporation, 2009. http://www.econsult.com/articles/031009_Exec_Sum.pdf
- Coyle, Deirdre M. "Realizing the Inner City Retail Opportunity: Progress and New Directions – An Analysis of Retail Markets in America's Inner Cities." *Economic Development Journal*. Vol. 6, No.1, Winter 2007, pgs. 6 – 14. http://www.icic.org/atf/cf/%7BC81898B2-76E9-4A18-B838-A3F65C9F06B9%7D/EDJ_winter07_final.pdf
- *Downtown and Business District Market Analysis: Tools to Create Economically Vibrant Commercial Districts in Small Cities*. University of Wisconsin Extension, Center for Community and Economic Development, 2006. <http://www.uwex.edu/CES/cced/downtowns/dma/index.cfm>
- Hodge, Ken. *A Beginner's Guide to Demographic Research (Video)*. International Council of Shopping Centers. www.icsc.org/srch/rsrch/OnDemandVideo.php?video=7
- Hodge, Ken. *Introduction to Geographic Information Systems (Video)*. International Council of Shopping Centers. www.icsc.org/srch/rsrch/OnDemandVideo.php?video=9
- *How to do a Market Study*. Knowthis.com
<http://www.knowthis.com/principles-of-marketing-tutorials/data-collection-low-cost-secondary-research/low-cost-market-research-sources/>
- Jacobus, Rick; Hickey, Maureen. "Commercial Revitalization Planning Guide: A Toolkit for Community Based Organizations." Local Initiatives Support Corporation (LISC), Center for Commercial Revitalization.
http://www.metroedge.org/uploads/metroedge/documents/6100_file_commercial_revitalization.pdf
- Lee, Alyssa Stewart. *The Brookings Urban Market Initiative: Using Information to Drive Change*. Community Development Investment Review, published by the Federal Reserve Bank of San Francisco, 2007. <http://www.frbsf.org/publications/community/review/062007/lee.pdf>
- Ong, Paul; Houston, Doug. *The 2000 Census Undercount in Los Angeles County*. Published by the University of California, The Ralph and Goldy Lewis Center for Regional Policy Studies, 2002.
<http://www.lewis.ucla.edu/publications/workingpapers/LACensusUndercount.pdf>

- Pawasarat, John; Quinn, Lois M. *Exposing Urban Legends: The Real Purchasing Power of Central City Neighborhoods*. Published by the Brookings Institution, June 2001.
<http://www4.uwm.edu/eti/pdf/ExposingUrbanLegends.pdf>
- *Retail as a Catalyst for Economic Development*. International Council of Shopping Centers, in cooperation with International Economic Development Council. New York, NY: ICSC, 2001.
- *Retail Attraction and Dealmaking Series: Recap and Lessons Learned*. Local Initiatives Support Corporation, Commercial Markets Advisory Service and International Council of Shopping Centers, June 11, 2008. http://www.lisc.org/docs/resources/experts/2008/eo_2008_06_11.pdf
- Segal, Donald. *Retail Trade Area Analysis: Concepts and New Approaches*. Directions Magazine. (November 1998, Special Insights, Inc.) http://www.directionsmag.com/features.php?feature_id=5
- Siedman, Karl F. *Revitalizing Commerce for American Cities: A Practitioner's Guide to Urban Main Street Programs*. Published by the Fannie Mae Foundation, 2004.
<http://www.knowledgeplex.org/showdoc.html?id=4966>
- Small Business Administration. *Small Business Planner – Market Research*.
http://www.sba.gov/smallbusinessplanner/manage/marketandprice/SERV-MARKETRESEARCH.html?cm_sp=ExternalLink_-Federal_-SBA
- Temali, Mihailo. *The Community Economic Development Handbook: Strategies and Tools to Revitalize Your Neighborhood*. Published by the Amherst H. Wilder Foundation, 2002.
- Urban Partners. *Market Assessment and Development Strategy for Broadway: Benson to Berkley Streets*. Published for LISC New Jersey Multi-City Program, 2001.
- Weiss, Marcus; Economic Development Assistance Consortium. *Commercial Revitalization in Flatbush: Second Story Survey, Flatbush Pilot Project*. Published by Citibank, 1980.
- Weissbourd, Robert; Berry, Christopher. *The Market Potential of Inner-City Neighborhoods: Filling the Information Gap*. Published by the Brookings Institution, 1999.
<http://www.knowledgeplex.org/showdoc.html?id=1047>
- Weissbourd, Robert; Bodini, Riccardo. *Using Information Resources to Enhance Urban Markets*. Published by the Brookings Institution, 2005.
http://www.brookings.edu/reports/2005/03communitydevelopment_weissbourd.aspx
- Wold, Cameron. *Feasibility Study: Establishing a Shared-Use Commercial Kitchen Incubator*. Boise State University – Idaho Business and Economic Development Center, August 2005.
www.ag.jefferson.wsu.edu/uploads/pdf/food-incubator-study.pdf

Appendix C: Hiring a Market Analysis Consultant

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TOOL A-1: REQUEST FOR PROPOSALS FOR RETAIL MARKET STUDY

Introduction to the Program

[Describe target area, key stakeholders, and general revitalization program goals here]

Desired Tenant Categories

The stakeholder planning process has identified the following preliminary list of types of tenants as both desirable and appropriate for this district:

- Produce market
- Women’s and Children’s Clothing Stores
- Book Store
- Record Store
- Ice Cream Parlor
- Sit Down Family Restaurant

Key Questions

The purpose of this research project is to help Client to refine a strategy for business development for the target commercial district. While improved market information will be useful in a number of different ways, Client has identified the following key questions:

- To what extent are existing local businesses meeting local demand for retail goods and services?
- Is there sufficient unmet demand to support new businesses in any of the desired tenant categories?
- Are there other categories of retail or service businesses that might be more likely to succeed in the district given current market conditions?

Scope of Assistance

A consultant will be chosen to conduct a commercial market study to evaluate the retail potential for the target commercial district.

The components of the studies should include, but are not limited to the following items:

Background Review

- Consultant shall review existing research reports, community planning documents, and other written material provided by Client and conduct a walking tour of the target area jointly with Client and other key community stakeholders in order to become familiar with the current conditions and community goals for the commercial district.

Trade Area Identification

- Based on existing conditions and current plans for the district, identify appropriate geographic boundaries for the likely primary trade area for retail businesses located in the target district. The Trade Area should be defined in a way that takes existing physical, social and psychological boundaries into account.

Demand Analysis

- Provide estimates of total consumer spending for common retail categories with emphasis on the categories containing the desired tenant types listed above.
- Demand analysis shall incorporate potential spending by individuals employed within the trade area, as appropriate.

Competitive Supply Analysis

- Consultant shall analyze the neighborhood's competitive position in relation to neighboring commercial districts and shopping centers. Consultant will produce a map identifying competitive destinations and a narrative description of the competitive environment and the relative strengths of each competing destination.
- Consultant shall provide estimates of the total sales by retail category within the target district's identified trade area.

Leakage Analysis

- Consultant shall provide detailed estimates of retail sales leakage (comparing estimated spending with sales of area businesses) for each retail and service category.

Supportable Space Analysis

- For each of the desired tenant categories and any other retail or service category for which a significant market opportunity is evident, Consultant shall estimate the approximate number of additional square feet of retail space that could be supported assuming that the target district were to succeed in capturing a reasonable share of the identified retail leakage.

Recommendations:

Based on the above analysis, consultant shall provide client with recommendations for:

- a. Types of retail tenants that would be most likely to succeed in the target area given the existing and expected market conditions.
- b. Steps that community stakeholders and local government could take to improve the competitive position of the district and its marketability to prospective retailers of the recommended types.
- c. Further research tasks that could help refine Client's business development strategy.
- d. Future steps that the Client should take to update the analysis over time.

The scope of the assistance should also include regular meetings with the Client to ensure understanding of the study, and to help devise next steps.

Proposal Content

Proposals submitted in response to this RFP should contain three parts:

- 1) Statement of Qualifications:** This section of the proposal should describe the general capacity of the respondent to the types of assistance listed above and the specific assignment of individuals with the background and skills to carry them out. This section should contain the following:
 - a. *Firm Profile:* Describe the applicant firm and the range of services commonly provided. Provide an overview of the firm's general approach to retail market analysis and experience performing the types of tasks identified above under Scope of Assistance. Please highlight any experience working in underserved urban neighborhoods and/or with Community Based Organizations.
 - b. *Project Team:* Identify all individuals (including any subcontractors) who will be providing the technical assistance services, including a description of their proposed assignments and the skills they bring that are appropriate to the assignments. Please attach a resume for each team member.
 - c. *References:* Provide the name, address, and phone number for three references who can comment on the respondent's qualifications.
- 2) Scope of Work and Timeline:** This section should describe the specific methodology to be used in producing market studies and provide an estimate of the time commitment required for these elements.
TIMELINE
- 3) Cost:** In this section, the respondent should provide a cost breakdown for the proposed costs of the research project, with appropriate explanatory detail and justifying costs and calculations. If applicable, please submit hourly rates for each individual as well.

Selection Process

A committee of local stakeholders will evaluate the proposal based on the following criteria:

- Quality of Proposal content and consistency with the RFP
- Overall qualifications and references
- Experience with the target audience
- Cost of technical assistance

Responses

Please submit one original and two copies of your proposal by 5:00 pm on Friday, _____ to:

Feel free to call _____ at (____) _____ - _____ with any questions concerning this RFP. Thank you for your interest. *Depending on local circumstances, existing research and budget, the following items might be included instead of, or in addition to, items included in the sample scope of work above.*

TOOL A-2: ALTERNATIVE ELEMENTS FOR CONSULTANT SCOPE OF WORK

Demographic and Income Adjustment (Drill Down)

- Consultant shall obtain local data for the purpose of “reality checking” the existing public demographic and income data. Consultant shall provide revised estimates of population and spending power based on factors such as: Census undercount of population, Undocumented income, Informal economy.

Cluster Analysis

- Based on a business inventory supplied by Client, Consultant shall produce one or more maps highlighting existing business clusters or complementary uses within the existing business mix and identify potential development strategies that would leverage the strengths of the existing distribution of businesses.

Trend Analysis

- Consultant will obtain local data (as practical) to supplement public demographic and economic data, and analyze trends in building permit issuance, crime, real estate values and volume, commercial rental rates, sales tax, demographics and income and provide a general analysis of current market and investment trends highlighting factors that would favorably influence the retail market environment.

Retailer Needs Analysis

- Based on the quantitative analysis, Consultant and Client shall agree on the three most promising tenant categories, and consultant shall research published requirements and conduct brief interviews with retailers in order to provide an outline of likely physical, demographic and economic requirements for tenants in each of the three chosen categories, including:
 - Store square footage requirements (range)
 - Parking requirements
 - Traffic/foot traffic requirements
 - Demographic/economic requirements
 - Population/household density
 - Income level (median income/concentrated buying power)
 - Age composition
 - Ownership rate
 - Etc.

Opportunity Site Analysis

- Consultant shall evaluate a short list of key real estate development opportunity sites provided by Client and identify sites that could potentially be appropriate for the target business types. For each of the most promising sites, Consultant shall compile a brief Site Assessment which provides basic information about the size, location, physical features, existing buildings, etc. on the site and recommendations for the most appropriate retail configurations for reuse of the site.

Marketing Material

- In addition to the final written report, Consultant shall prepare a graphically compelling presentation highlighting findings and recommendations suitable for presentation to local elected officials, business leaders, real estate industry leaders and potential tenants. Consultant will participate in one presentation at a meeting or event coordinated by Client and will provide material that Client can use to present the findings at subsequent meetings.

Community Training

- Consultant shall design and deliver a one to two hour training workshop to help community stakeholders understand the methodology and conclusions of the analysis.

Appendix D: Glossary of Terms

Capture Ratio –

Capture ratio pertains to a percentage of sales or number of customers a business may be capable of attracting in a particular sales niche. This may be influenced by product offerings, marketing approaches and related variables.

Commercial Node –

Also known as “retail nodes” or “retail clusters” – comparable retailers located closely together that attend to multiple consumer needs in one general area. Convenience clusters provide a way for shoppers to take care of necessary needs in one stop, such as groceries, banking or gas. The draw for these clusters is the nearness or convenience of their location. Comparison clusters offer similar products in competing stores. These retailers are driven by brand recognition and bargains, using sales to attract their customers, even if it is a slightly less convenient location.

Leakage –

Occurs when purchases are made outside the primary market area by consumers being targeted by the venture. This can happen when consumers travel to a store well outside their community for products or services that are also offered within their own neighborhood. This often deals with retail (i.e., retail leakage), but may also refer to service businesses.

Neighborhood Market Snapshot –

A tool used to show consumer demographics and spending habits, as well as existing businesses and competitors, traffic patterns, etc... to help define the primary and secondary markets.

Primary Market –

Also known as the “primary trade market” or “primary trade area,” is the targeted core of consumers or neighborhood(s) that provide the continuous majority of spending/income. This primary core is defined by the availability and need of goods or services as well as the distance required to travel to store locations.

Retail Corridor –

Also known as a “retail strip,” is an attached section or closely located group of retailers providing goods and services to a neighborhood.

Retail Niche –

Or “commercial niche” is a specialized service or good targeted for a certain place in the market that has been overlooked by more generalized retailers. Product niches address services and goods such as entertainment, restaurants or clothing, while consumer niches serve targeted groups of people like tourists, students or young children.

Secondary Market –

This is the expanded area surrounding the primary market or the occasional shoppers that supplement the purchases made by community shoppers.